



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FULTON COUNTY SHERIFF**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.STATE.KY.US/AGENCIES/APA**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Harold Garrison, County Judge/Executive
Honorable Bobby Hopper, Fulton County Sheriff
Members of the Fulton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Fulton County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Harold Garrison, County Judge/Executive
Honorable Bobby Hopper, Fulton County Sheriff
Members of the Fulton County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Have A Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated June 29, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 29, 1999

FULTON COUNTY
BOBBY HOPPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

Community Oriented Policing Services Grant	\$	28,965
Kentucky Law Enforcement Foundation Protection Grant		1,785
State Fees For Services:		
Finance and Administration Cabinet	\$	17,424
Cabinet For Human Resources		1,911
		19,335
Circuit Court Clerk:		
Sheriff Security Service	\$	7,625
Fines/Fees Collected		6,372
		13,997
Fiscal Court		14,184
County Clerk - Delinquent Taxes		1,153
Commission On Taxes Collected		87,596
Fees Collected For Services:		
Auto Inspections	\$	4,355
Accident /Police Reports		72
Serving Papers		3,960
		8,387
Other:		
Conveying Mental Patients	\$	1,600
Carry Concealed Deadly Weapon		1,320
Sheriff Fees		191
		3,111
Interest Earned		1,850
Borrowed Money:		
State Advancement	\$	50,900
Bank Note		3,000
		53,900
Gross Receipts (Carried Forward)	\$	234,263

FULTON COUNTY
BOBBY HOPPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Gross Receipts (Brought Forward) \$ 234,263

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Gross Salaries	\$ 58,605
Part-Time Gross Salaries	5,867
Overtime Gross Salaries	3,744

Employee Benefits-

Employer's Share Social Security-COPS Grant	1,687
Employer's Share Retirement-KLEFPF	135
Employer's Share Retirement-COPS Grant	1,964
Employer Paid Health Insurance-COPS Grant	2,512
Employer Paid Life Insurance-COPS Grant	92

Contracted Services-

Advertising	867
Vehicle Maintenance and Repairs	1,273

Materials and Supplies-

Office Materials and Supplies	979
Uniforms	608

Auto Expense-

Mileage	34,545
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Other Charges-

Conventions and Travel	165
Dues	550
Postage	1,370
Travel Expenses	1,485
Phone	1,677
Jury Expense	168
Carry Concealed Deadly Weapon	840
Bond	101
Miscellaneous	181

Capital Outlay-

Office Equipment	4,848
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FULTON COUNTY
BOBBY HOPPER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Disbursements (Continued)

Debt Service:

State Advancement	\$	50,900
Notes		3,000
Interest		36

Reserve:

Unused Portion of COPS Grant		<u>6,843</u>
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Total Disbursements and Reserve		<u>\$ 185,042</u>
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Net Receipts		\$ 49,221
Less: Statutory Maximum		<u>48,726</u>

Excess Fees Due County for Calendar Year 1998		\$ 495
Payments to County Treasurer- March 8, 1999		<u>495</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of the financial statement.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, or obtain a surety bond, that equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral or surety bond under Kentucky law. The depository institution has made such a pledge, and the depository institution's board of directors or loan committee approved the pledge. However, the depository institution did not have a written agreement with the Sheriff.

Note 4. Grants

In 1996, the Sheriff was awarded a grant under the Community Oriented Policing Service (COPS) Universal Hiring Award from the Department of Justice in the amount of \$68,043 to be expended over three years. During 1996 and 1997, the Sheriff has spent \$34,756. During 1998, an additional \$23,172 of federal grant money was spent by the Sheriff. As of December 31, 1998, the unexpended federal grant balance is \$10,115. The Sheriff's Statement of Receipts, Disbursements, and Excess Fees reflects \$6,843 has been received and held in reserve.

Note 5. Health Insurance

The Sheriff expended funds for health insurance premiums from his COPS grant. All other Sheriff's employees' health insurance premiums are paid for by the county, as are all county employees.

Note 6. Drug Fund

In April 1990, the Fulton County Sheriff's office received funds from the sale of various drug arrests and created the Fulton County Drug Fund. This fund is to be used for the prevention of drug abuse in Fulton County. As of December 31, 1997, the Drug Fund had a balance of \$4,707. During 1998, there were receipts of \$1,052 and disbursements of \$575, leaving a balance of \$5,185.

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COMMENT AND RECOMMENDATION

FULTON COUNTY
BOBBY HOPPER, SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 1998

The Sheriff Should Have A Written Agreement To Protect Deposits

The Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Sheriff had a bank balance of \$1,502,183; FDIC insurance of \$117,679; securities pledged of \$300,000; and a surety bond of \$1,500,000 as of November 9, 1998. Even though the Sheriff obtained pledged securities of \$300,000 and surety bond of \$1,500,000, the pledge and the surety bond were not evidenced by a written agreement. We recommend the Sheriff enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

"I do have a surety bond during my high month of \$1,500,000 and I wasn't aware the surety bond needed a collateral agreement. I do have a collateral agreement as of December 8, 1998."

PRIOR YEAR FINDING:

During the prior year audit, the Sheriff did not have a written agreement with the depository institution to protect deposits. The Sheriff obtained a written collateral surety agreement with the depository institution, December 8, 1998.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Harold Garrison, County Judge/Executive
Honorable Bobby Hopper, Fulton County Sheriff
Members of the Fulton County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Fulton County Sheriff as of December 31, 1998, and have issued our report thereon dated June 29, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fulton County Sheriff's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fulton County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Harold Garrison, County Judge/Executive
Honorable Bobby Hopper, Fulton County Sheriff
Members of the Fulton County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 29, 1999

